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January 14, 2010

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To: Supervisor Gloria Molina, Chair
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From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

SACRAMENTO UPDATE - GOVERNOR'S FY 2010-11 PROPOSED BUDGET

BUDGET OVERVIEW

On January 8, 2010, Governor Schwarzenegger released his \$118.8 billion FY 2010-11 Proposed Budget, which includes \$82.9 billion for State General Fund expenditures, closes a \$19.9 billion shortfall, and establishes a \$1.0 billion reserve. Concurrently, pursuant to Proposition 58 of 2004, the California Balanced Budget Act, the Governor declared a fiscal emergency and called the Legislature into a Special Session to address \$8.9 billion of the budget deficit. According to the Administration, delays in the adoption of Special Session budget proposals until the enactment of the FY 2010-11 State Budget would result in the loss of up to \$2.4 billion in potential solutions and thereby require deeper cuts in the budget year. The Legislature will have 45 days to address the fiscal emergency, or it will be prohibited from acting on any other bills or adjourning in joint recess until such legislation is passed.

The overall State Budget deficit is comprised of shortfalls of \$6.6 billion in FY 2009-10 and \$13.3 billion in FY 2010-11. The Governor proposes to solve the 18-month deficit through a combination of: 1) expenditure reductions (\$8.5 billion); 2) increased Federal funding (\$6.9 billion); and 3) various fund-shifts and alternative funding options (\$4.5 billion) such as the extension of certain temporary tax increases. It is important to note that as a result of the Governor's commitment not to cut K-12 schools or higher

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education spending, a large portion of the \$8.5 billion in expenditure reductions further impacts various health and human services programs which have been severely reduced in recent budgets.

Legislative Analyst's Office Overview

On January 12, 2010, the Legislative Analyst's Office (LAO) issued its overview of the Governor's Budget. While the LAO report generally concurs with the Governor's \$19.9 billion estimate of the State Budget deficit, it cautions that the baseline estimate of revenues and expenditures are more optimistic than those projected by the LAO and it also points out that a variety of lawsuits threaten to increase the overall deficit. **The LAO supports the Governor's proposal to seek \$6.9 billion in additional Federal funding, but warns that the likelihood of Washington agreeing to all of the Governor's requests is "almost non-existent."**

The LAO notes that balancing the budget shortfall will be extremely challenging and that the Legislature will be faced with very difficult choices regarding State revenues and expenditures. The LAO recommends that the Legislature determine priorities and consider making targeted reductions to programs that retain services for the most vulnerable rather than completely eliminating programs as proposed by the Governor. The LAO also recommends that the Governor and the Legislature work to solve much of the framework to address the budget problem by the end of March in order to provide sufficient lead-time for State departments to implement the expenditure reductions.

Estimated County Impact

Based on a preliminary analysis of the information available at this time, **we estimate that the County would lose \$147.2 million from the Governor's Budget proposals and a projected \$1.26 billion from additional reductions if the State does not receive increased Federal funds as proposed by the Governor, for an overall County loss of \$1.41 billion.** These estimates do not account for proposals which generate potential County savings. We continue working with affected departments and will provide a revised impact analysis once additional details of the Governor's Budget are released.

Attachment I provides the estimated County impact of the Governor's Budget proposals by program and the additional reductions recommended by the Governor if the State does not receive \$6.9 billion in increased Federal funding.

Attachment II reflects the \$426.5 million loss experienced by the County over the past two fiscal years as a result of State Budget actions.

Major Proposals Affecting the County

The following proposals would result in the loss of funds or cost shifts to the following County programs:

Budget Proposal	Estimated County Impact
Redirection of Mental Health Services Act Funds	\$121.8 million
Deferral of State Mandates	\$ 15.0 million
Elimination of the Cash Assistance Program for Immigrants – Cost Shift to General Relief	\$ 11.9 million
Elimination of the Substance Abuse Offender Treatment Program	\$ 4.3 million
Suspension of State Mandates	\$ 4.0 million
Elimination of the AIDS Drug Assistance Program for County Jails	\$ 2.0 million

The Governor's Budget proposes other major program reductions for which details are not yet available and are necessary to determine County impact. These reductions include: a) implementation of Medi-Cal cost containment measures (\$750.0 million); b) redirection of County savings due to CalWORKs and In-Home Supportive Services (IHSS) Program reductions (\$505.5 million); and c) modification of existing statutes for certain felonies which would result in offenders being subject to jail time as opposed to prison incarceration (\$291.6 million). The CEO is working with affected County departments to determine the impact of these proposals.

In addition, the Governor's Budget includes reductions to the CalWORKs and IHSS Programs which would result in significant County savings, but would have detrimental impact on program participants. The reductions include:

- In-Home Supportive Services:
 - Over 161,000 IHSS recipients would lose services;
 - \$310.6 million in County savings from service reductions; and
 - \$ 33.6 million in County savings from the IHSS wage reduction.
- CalWORKs Program:
 - 165,129 CalWORKs families would experience grant reductions; and
 - \$ 4.4 million in County savings from the reduction in cash assistance.

Attachment III is a detailed analysis of the Governor's Budget proposals of interest to the County.

Federal Funds Trigger - Additional Reductions

The Governor's Budget relies on the assumption that the Federal Government will approve his proposal to restructure the "Federal-State relationship," which would result in \$6.9 billion in increased Federal funds. However, if the funds are not received, the Governor proposes to "Trigger" an additional \$4.6 billion in funding reductions which would impact the following County programs:

Federal Funds Trigger Reductions	Estimated County Impact
Elimination of the CalWORKs Program – Loss of Funding for: <ul style="list-style-type: none">• Program Administration/Employment Services/Child Care, etc.• Mental Health Services• Substance Abuse Services	\$577.3 million \$ 24.2 million \$ 19.0 million
Cost Shift to the County's General Relief Program	\$375.7 million
Redirection of Mental Health Service Act Funds – Funding Loss	\$254.0 million
Elimination of the Healthy Families Program – Funding Loss	\$ 11.5 million
Elimination of the Transitional Housing Placement Program-Plus – Funding Loss	\$ 2.6 million

Other "Federal Funds Trigger" reductions for which details are not yet available and are necessary to determine impact on County programs include: a) reduction in the Medi-Cal eligibility to the level allowed under Federal law (\$532.0 million); b) redirection of additional County savings from the elimination of the CalWORKs, IHSS, and Healthy Families Programs (\$325.0 million); c) elimination of non-court required inmate rehabilitation programs, parole changes, and revisions to existing statutes to expand the number of crimes where convicted felons would serve time in County jails (\$280.0 million); and d) elimination of various health programs funded by Proposition 99 tobacco tax (\$115.0 million).

The Governor's Budget proposal to eliminate the IHSS Program under the "Federal Funds Trigger" provision would result in an estimated \$332.9 million savings to the County. However, over 185,000 IHSS recipients in the County would lose services.

Attachment IV includes the impact of the additional funding reductions as a result of the "Federal Funds Trigger."

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Pursuit of County Position On State Budget Items

Based on general Board policy to seek restoration of State Budget reductions and other policies included in the Board-approved State Legislative Agenda for 2009-10, **the Sacramento advocates will advocate against proposed funding reductions, seek preservation of County funding, and pursue mitigation of the adverse impact of recommendations affecting Los Angeles County residents.**

We will continue to keep you advised.

WTF:RA
MR:VE:IGEA:sb

Attachments

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

**PRELIMINARY IMPACT TO LOS ANGELES COUNTY
FROM THE FY 2010-11 GOVERNOR'S PROPOSED BUDGET**

	(A) Governor's Proposed Budget	(B) Federal Trigger Additional Reductions	(A + B) Potential County Impact
<u>Program Reductions</u>			
<u>Health</u>			
Medi-Cal Eligibility for Legal Immigrants Elimination	? ⁽¹⁾	--	0
Medi-Cal Eligibility Reductions	--	? ⁽¹⁾	0
Medi-Cal Cost Containment Measures	? ⁽¹⁾	--	0
Healthy Families Program Reductions	? ⁽¹⁾	--	0
Healthy Families Program Elimination	--	(11,500,000)	(11,500,000)
<u>Public Health</u>			
Elimination of AIDS Drug Assistance Program County Jails	(2,000,000)	--	(2,000,000)
Proposition 36 Program/Offender Treatment Program	(4,300,000)	--	(4,300,000)
Elimination of Various Health Services Programs (Proposition 99)	--	? ⁽¹⁾	0
<u>Mental Health</u>			
Mental Health Services Act (Proposition 63) Funds Redirection	(121,800,000) ⁽²⁾	(254,000,000) ⁽²⁾	(375,800,000)
<u>Social Services</u>			
CalWORKs Program Elimination - Single Allocation	--	(577,300,000)	(577,300,000)
CalWORKs Substance Abuse Services Elimination	--	(19,000,000)	(19,000,000)
CalWORKs Mental Health Services Elimination	--	(24,200,000)	(24,200,000)
Cost Shift as a Result of CalWORKs Program Elimination	--	(375,700,000)	(375,700,000)
Cash Assistance Program for Immigrants Elimination ⁽³⁾	(11,900,000) ⁽⁴⁾	--	(11,900,000)
Redirection of County Savings	? ⁽¹⁾	? ⁽¹⁾	0
Transitional Housing Program Plus Elimination	--	(2,600,000)	(2,600,000)
<u>Justice and Public Safety</u>			
Jail Time Instead of Prison for Specified Felonies Proposal	? ⁽¹⁾	--	0
Expansion of Crimes Where Convicted Felons Serve in Local Jails	--	? ⁽¹⁾	0
<u>General Government</u>			
Suspension of SB 90 Mandate Claims	(4,070,000)	--	(4,070,000)
Delay of Deferred Mandate Payments (Prior to FY 2004-05)	(15,000,000)	--	(15,000,000)
Elections Reimbursement	11,900,000	--	11,900,000
TOTAL	(147,170,000)	(1,264,300,000)	(1,411,470,000)
<u>Potential Program Savings</u> ⁽⁵⁾			
IHSS Recipient Services Reduction	310,600,000 ⁽⁴⁾	--	310,600,000
IHSS Program Elimination	--	43,300,000	43,300,000
IHSS Provider Wage Reduction ⁽⁶⁾	33,600,000 ⁽⁴⁾	--	33,600,000
CalWORKs Program Reductions	4,400,000 ⁽⁴⁾	--	4,400,000
Estimated Savings	\$348,600,000	\$43,300,000	\$391,900,000
<u>Overall County Impact</u> ⁽⁷⁾			
	\$201,430,000	(1,221,000,000)	(1,019,570,000)

Notes:

(1) There is insufficient information in the Governor's Budget to assess the County impact of this proposal at this time.

(2) Voter approval is required to redirect Proposition 63 funds from counties to the State to fund mental health services obligations.

(3) Estimate assumes 100% of CAPI recipients apply for and are determined eligible for the County's General Relief Program.

(4) Estimate reflects impact for FY 2009-10 and FY 2010-11 assuming implementation on June 1, 2010.

(5) These proposals would result in net County cost savings because the County's share of cost in these programs would be reduced.

(6) Reflects savings from reducing IHSS provider wages in the County to the minimum wage. If the County maintains current wage, NCC increases by \$62.4 million.

(7) If the temporary FMAP rate increase, scheduled to expire 12/31/10, is extended for an additional 6 months by Congress, many of the Governor's proposed reductions to Medicaid funded programs, such as Medi-Cal and IHSS, would not occur. Existing law prohibits reductions to these programs as a condition of receiving additional Federal funds.

This table represents the estimated loss/gain of State funds based upon the Governor's Budget and additional reductions from the Federal Funds Trigger. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.

**ESTIMATED IMPACT TO LOS ANGELES COUNTY
FROM THE FY 2008-09 & FY 2009-10 STATE BUDGET ACTS**

Programs:	FY 2008-09 State Budget Act	FY 2009-10 State Budget Act	Total County Impact
<u>Health</u>			
Healthy Families Program Reduction	0	(13,500,000)	(13,500,000)
Disproportionate Share Hospitals Reduction	0	(6,000,000)	(6,000,000)
Emergency Medical Services Appropriation	0	(980,000)	(980,000)
Medi-Cal Provider and Managed Care Rates	(8,738,000)	0	(8,738,000)
California Healthcare for Indigents Program	(5,300,000)	0	(5,300,000)
<u>Public Health</u>			
Elimination of HIV/AIDS Treatment and Prevention	(1,200,000)	(13,500,000)	(14,700,000)
Alcohol and Other Drug Programs/Drug Medi-Cal Program	(6,400,000)	(7,100,000)	(13,500,000)
Proposition 36 Program/Offender Treatment Program	(3,049,000)	(22,100,000)	(25,149,000)
Maternal, Child and Adolescent Health Program Reductions	0	(1,300,000)	(1,300,000)
Family and Health Programs	(202,000)	0	(202,000)
Immunization Program	(81,000)	0	(81,000)
Drug Court Programs	(626,000)	0	(626,000)
Perinatal Substance Abuse Treatment Programs	(610,000)	0	(610,000)
Other Non-Medi-Cal Drug Programs	(180,000)	0	(180,000)
<u>Mental Health</u>			
Mental Health Managed Care Program	(3,800,000)	(36,000,000)	(39,800,000)
Deferral of AB 3632 Program Payments	0	(12,400,000)	(12,400,000)
Institutes for Mental Disease	(6,300,000)	0	(6,300,000)
<u>Social Services</u>			
IHSS Program - Reduction of Recipient Services	0	10,800,000	10,800,000
In-Home Supportive Services (IHSS) Administration	(5,100,000)	0	(5,100,000)
Medi-Cal Administration Funding	0	(36,000,000)	(36,000,000)
CalWORKs Single Allocation Projected Reduction	0	(114,200,000)	(114,200,000)
CalWORKs Caseload Adjustment	0	131,000	131,000
Child Welfare Services Administration	0	(1,400,000)	(1,400,000)
Title IV-E Capped Allocation Waiver	0	(17,500,000)	(17,500,000)
Foster Care and Group Home Provider Rate Reductions	0	12,300,000	12,300,000
Adoptions Assistance Payments	0	100,000	100,000
Elimination of Community Based Services Programs	0	(1,100,000)	(1,100,000)
Reduction in Transitional Housing Program Plus Funds	0	(314,000)	(314,000)
Adult Protective Services Administration	(2,600,000)	0	(2,600,000)
Medi-Cal Program Administration - Cost-of Doing-Business	(33,400,000)	0	(33,400,000)
Food Stamps Administration	(6,900,000)	0	(6,900,000)
CalWORKs Single Allocation Funding	(17,600,000)	0	(17,600,000)
<u>Justice and Public Safety</u>			
Judicial Branch Reductions - Sheriff's Department Impact	0	(12,600,000)	(12,600,000)
Juvenile Probation and Camp Funding	(21,555,000)	0	(21,555,000)
Juvenile Justice Crime Prevention Act (JJCPA) Program	(9,021,000)	0	(9,021,000)
Citizens Option for Public Safety (COPS) Program	(2,510,000)	0	(2,510,000)
Multi-Jurisdictional Methamphetamine Enforcement Grants	(192,000)	0	(192,000)
High Technology Theft Apprehension and Prosecution Program	(333,000)	0	(333,000)
Sexual Assault Felony Enforcement Program	(205,000)	0	(205,000)
<u>General Government</u>			
Suspension of SB 90 Mandate Claims	0	(3,700,000)	(3,700,000)
Delay of Deferred Mandate Payments	(14,000,000)	0	(14,000,000)
Public Library Fund	(182,000)	0	(182,000)
Subventions for Open Space (Williamson Act)	(4,000)	(36,000)	(40,000)
TOTAL	(\$150,088,000)	(\$276,399,000)	(\$426,487,000)

GOVERNOR'S FY 2010-11 PROPOSED BUDGET

BUDGET HIGHLIGHTS

The following is a summary of County-interest proposals contained in the Governor's Proposed Budget.

General Government

State Mandates. The Governor's Budget proposes a reduction of \$232.0 million from the suspension and deferral of various State mandate payments. This includes \$137.0 million due to the suspension of all State mandates except those related to elections, law enforcement, or property taxes, and \$95.0 million in mandate deferral payments for FY 2010-11 that are due to counties for costs incurred prior to FY 2004-05. **The suspension of mandates would result in an estimated County loss of \$4.07 million, and the deferral of mandate payments would result in a County loss of \$15.0 million.**

Election Reimbursement. The Governor's Budget proposes a one-time increase of \$68.2 million in local assistance to reimburse counties for costs incurred in the May 19, 2009 Statewide Special Election. **The County is owed \$11.9 million for conducting the Statewide Special and Consolidated Elections of May 19, 2009.**

Military and Veterans Programs. The Governor's Budget proposes an increase of \$8.3 million for the California Department of Veterans Affairs for veterans' homes in West Los Angeles, Lancaster, and Ventura. These homes provide veterans with residential care, skilled nursing, and adult day health care. The Governor's Budget also proposes an additional \$11.7 million for the full-year cost of implementation of the programs for FY 2009-10. When fully functional, these programs will serve approximately 500 veterans.

Health

Medi-Cal Cost Containment Strategies. The Governor's Budget proposes to implement initiatives to reduce Medi-Cal expenditures by limiting services, increasing co-payments and/or premiums, and enacting other programmatic changes for a State General Fund savings of \$750.0 million. Details of the proposal are not available; however, it is expected to result in significant reductions in Medi-Cal services. **The Chief Executive Office (CEO) will work with affected departments to determine the impact of this proposal once detailed information is released by the Administration.**

Medi-Cal Eligibility for Legal Immigrants. The Governor's Budget proposes to eliminate full-scope Medi-Cal for adult Newly Qualified Immigrants who have been residing in the United States for less than five years for a State General Fund savings of

\$118 million. Immigrants Permanently Residing Under the Color of Law and Amnesty Immigrants would continue to receive full-scope benefits. The Department of Public Social Services (DPSS) indicates that this proposal would result in the loss of Medi-Cal benefits for approximately 24,500 legal immigrants in the County. **The CEO is working with the Department of Health Services (DHS) to determine any additional impact of this proposal to the County.**

Healthy Families Program (HFP). The Governor's Budget proposes to reduce eligibility for the Healthy Families Program from 250 percent to 200 percent of the Federal Poverty Level effective May 1, 2010 for a State General Fund savings of \$10.5 million in FY 2009-10 and \$63.9 million in FY 2010-11. The Governor's Budget proposes a corresponding reduction in the California Children's Services (CCS) Program for beneficiaries previously eligible under HFP for a State General Fund savings of \$3.9 million. DHS indicates that children no longer eligible for HFP are likely to be eligible for Medically Indigent Medi-Cal, which would result in an increased County share of cost. The Department of Public Health (DPH) notes that this also may result in increased County share of cost for the CCS. **The CEO is working with the affected departments to determine the impact of this proposal to the County.**

Mental Health

Mental Health Services Act Funds. The Governor's Budget proposes to shift \$452.3 million from the Mental Health Services Act (Proposition 63) to the State General Fund. Of this amount, \$46.4 million would be redirected to the California Department of Mental Health, and \$405.9 million would be redirected to pay the State's obligation of Mental Health Managed Care and Early and Periodic Screening, Diagnosis, and Treatment Program costs. This proposal requires amending the non-supplantation provision of Proposition 63 by passage of a voter initiative. The Administration anticipates that an initiative to make this change will be included in the June 2010 election. A similar ballot initiative failed in the May 2009 Special Election. **The Department of Mental Health estimates that if this proposal is approved by the voters it would result in a County loss of \$121.8 million in FY 2010-11.**

Public Health

Substance Abuse Offender Treatment Program (Proposition 36). The Governor's Budget proposes to eliminate the remaining funding for the Substance Abuse Offender Treatment Program for a State General Fund savings of \$18.0 million in FY 2010-11. **The Department of Public Health indicates that this proposal will result in a County loss of \$4.3 million used to support court-supervised drug treatment services for non-violent offenders.**

AIDS Drug Assistance Program (ADAP). The Governor's Budget proposes to increase funding for ADAP by \$97.0 million to cover caseload growth, increased drug costs and backfill a projected shortfall in the ADAP Rebate Fund. DPH indicates that this proposal would provide full funding for the program and provide medications for persons living with HIV/AIDS.

AIDS Drug Assistance Program Services to County Jails. The Governor's Budget proposes to eliminate funding for ADAP services at County jails for a State General Fund savings of \$9.5 million. **The Sheriff's Department indicates that this proposal would result in an estimated County loss of \$2.0 million.**

Social Services

CalWORKs Program Reductions. The Governor's Budget proposes to reduce cash assistance grants by 15.7 percent and the elimination of the Recent Non-citizen Entrance Program that provides benefits to legal immigrants in the U.S. for less than five years for a State General Fund savings of \$152.5 million, assuming implementation on June 1, 2010. The cash assistance proposal would reduce the grants for a family of three from \$694 per month to \$585 per month. This proposal would also result in the loss of Federal Temporary Assistance to Needy Families (TANF) funds.

The Department of Public Social Services estimates that CalWORKs families would lose \$13.6 million in cash assistance and the County would save \$0.3 million in FY 2009-10. The estimated loss of cash assistance to CalWORKs families would be \$163.6 million, in combined State and Federal funds, with County savings of \$4.1 million in FY 2010-11. The Governor's Budget proposes to redirect County savings from CalWORKs Program reductions to achieve State General Fund savings for children's programs.

In-Home Supportive Services (IHSS) - Recipient Services Reduction. The Governor's Budget proposes to limit IHSS services to only those recipients who have the greatest need for services for an estimated State General Fund savings of \$56.6 million in FY 2009-10 and \$650.8 million in FY 2010-11, assuming implementation on June 1, 2010. If adopted, this proposal would result in the loss of benefits for approximately 161,000 IHSS recipients in Los Angeles County. **DPSS estimates this could result in County savings of approximately \$21.0 million in FY 2009-10 and \$289.6 million annually thereafter.** The Governor's Budget proposes to redirect County savings from the IHSS reductions to achieve State General Fund savings for children's programs.

IHSS Provider Wages. The Governor's Budget proposes to reduce State participation in IHSS provider wages to the minimum wage of \$8.00 per hour and retain State participation in health benefits at \$0.60 per hour. This proposal would result in State General Fund savings of approximately \$21.3 million in FY 2009-10 and \$271.8 million in FY 2010-11, assuming implementation on June 1, 2010.

The current IHSS wage rate in Los Angeles County is \$9.00 per hour. However, the existing agreement with the Los Angeles County Personal Assistance Services Council specifies that if the State's share of IHSS wages becomes unavailable, wages shall revert to the State minimum wage rate without further action of the Board of Supervisors. **It is estimated that the reduction in IHSS provider wages would result in County savings of \$2.3 million in FY 2009-10 and \$31.3 million in FY 2010-11.** If the County opts to maintain the current wage of \$9.00 per hour,

without State participation above the minimum wage, the additional cost to the County would be \$4.3 million in FY 2009-10 and \$58.1 million annually thereafter. The Governor's Budget proposes to redirect County savings from the IHSS wage reduction to achieve State General Fund savings for children's programs.

Cash Assistance Program for Immigrants (CAPI) Elimination. The Governor's Budget proposes to eliminate CAPI, which provides State-only benefits to legal immigrants who are not eligible for Federal benefits. This proposal would result in an annual State General Fund savings of \$8.1 million in FY 2009-10 and \$107.3 million in FY 2010-11, assuming implementation on June 1, 2010. Elimination of CAPI would result in the loss of cash benefits for approximately 3,100 aged and disabled legal immigrants in Los Angeles County and could place them at greater risk for homelessness. **If 100 percent of these individuals apply for, and are determined eligible for the County's General Relief Program, this proposal would result in an estimated net County cost of \$0.9 million in FY 2009-10, and an annual County cost of \$11.0 million thereafter.**

Redirection of County Savings. The Governor's Budget proposes to redirect County savings resulting from reductions to IHSS and CalWORKs programs for a State General Fund savings of \$505.5 million. The proposal also would increase the County share of cost for the non-Federal portion of the Foster Care, Adoption Assistance, and Child Welfare Services Programs. However, the Administration has not released detailed information. **The CEO is working with affected departments to determine the impact of this proposal to the County.**

Justice and Public Safety

Jail Time Instead of Prison for Specified Felonies. The Governor's Budget proposes to achieve \$291.6 million in State General Fund savings by modifying sentencing practices, which would allow specified non-serious, non-violent, non-sex felonies to be incarcerated for up to one year in County jails. **According to the Sheriff's Department, this proposal would have a major impact on their jail operations. The CEO will work with the Sheriff's Department to determine the impact once details of this proposal are released by the Administration.**

Cal-Fire. The Governor's Budget proposes to reduce funding for fire suppression by \$32.8 million in FY 2010-11. The reduction is based on the historical average of emergency firefighting costs over the past five years. **The CEO will work with the Fire Department to determine the impact once details of this proposal are released by the Administration.**

Environment and Natural Resources

Fund State Parks from Tranquillon Ridge Oil Revenues. The Governor's Budget proposes to shift \$140.0 million from the California Department of Parks and Recreation to the State General Fund and backfill with revenue generated from a lease for the extraction of oil on State-owned tidelands off the Santa Barbara coast. The proposal

estimates that the lease will generate \$1.8 billion in royalties over the next 14 years, but it would require approval by the State Lands Commission. A similar proposal was rejected by the Legislature in 2009.

State Water Project Facilities. The Governor's Budget proposes an increase of \$22.6 million, including \$15.1 million in Proposition 84 funds and an annual transfer of \$7.5 million from the Harbors and Watercraft Fund, to the California Department of Water Resources for boating-related recreation and fish and wildlife enhancements at State Water Project facilities. The Department of Beaches and Harbors indicates that the proposal may divert funding from programs administered by the California Department of Boating and Waterways; however, there is not enough detail in the Governor's Budget to estimate an impact to the County.

California Science Center. The Governor's Budget proposes to reduce funding for the Science Center for a State General Fund savings of \$12.0 million. The reduction in funding would be off-set by an admission fee to the Science Center, which currently does not charge admission fees. The Natural History Museum indicates that the proposal may result in indirect impacts on the museum's attendance and program-related activities.

Transportation

Proposition 42. The Governor's Budget proposes a complex gas tax swap which would simultaneously eliminate the existing sales tax on gasoline, proceeds of which fund Proposition 42, and replace it with a 10.8 cent per-gallon excise tax for a State General Fund savings of \$1.8 billion. According to the Department of Public Works (DPW), the County would receive approximately \$61.0 million in transportation funding in FY 2010-11 under the alternative excise tax proposal, which is the same amount the County would receive under existing law.

Although the alternative transportation proposal appears to be revenue neutral, DPW has several concerns. The major concern is that the proposal does not include constitutional protections similar to Proposition 42 funding. In the future, the State may take, borrow, or modify the funding allocation ratio, which could significantly impact the amount of transportation revenue received by the County. In addition, the proposal does not provide any funding to the Public Transportation Account (PTA), which is used by transit providers, and it eliminates any future "spillover" revenues that may have been allocated to the PTA. In Los Angeles County, the Metropolitan Transportation Authority receives this funding for rail and bus transit operations.

**GOVERNOR'S FY 2010-11 PROPOSED BUDGET
ESTIMATED COUNTY IMPACT
OF FEDERAL FUNDS TRIGGER REDUCTIONS**

The Governor's Budget proposes to enact \$4.6 billion in additional reductions if the Federal government fails to provide \$6.9 billion in funds to the State. For most programs, reductions in State funding would also result in the loss of Federal funding. The following reductions would impact the County:

Health

Medi-Cal Eligibility Reduction. The Governor's Budget proposes to reduce Medi-Cal eligibility to the Federal minimum allowed for a State General Fund savings of \$532.0 million. The proposal would reduce Medi-Cal eligibility to approximately 70 percent of the Federal Poverty Level and eliminate most remaining Medi-Cal optional benefits. This action could eliminate hundreds of thousands of individuals from coverage, including working families, medically needy children and adults, and disabled individuals. **The Chief Executive Office (CEO) is working with affected County departments to determine the impact of this proposal.**

Healthy Families Program (HFP) Elimination. The Governor's Budget proposes to eliminate the HFP for a State General Fund savings of \$126.0 million. The Department of Public Health indicates that 223,442 children in the County enrolled in HFP would lose health coverage if this proposal is enacted. **The Department of Mental Health estimates a County loss of \$10.0 million used to provide mental health services for approximately 3,600 children. The Department of Health Services estimates that this proposal would result in a loss of \$1.5 million.**

Mental Health

Mental Health Services Act Funds. The Governor's Budget proposes to fund existing mental health services using Mental Health Services Act (Proposition 63) funds for a State General Fund savings of \$847.0 million. **The Department of Mental Health indicates that this proposal would result in a County loss of \$254.0 million and potential loss of services for individuals that are not served by core mental health programs.**

Public Health

Elimination of Various Health Services Programs Funded by Proposition 99. The Governor's Budget proposes to eliminate health services funded by the Cigarette and Tobacco Surtax, Proposition 99, for a State General Fund savings of \$115.0 million. However, details of this proposal were not included in the Governor's Budget. **The CEO**

will work with the affected departments to determine the impact to the County once more information is available.

Social Services

CalWORKs Program Elimination. The Governor's Budget proposes to eliminate the CalWORKs Program for a State General Fund savings of \$1.044 billion. This proposal would result in a statewide loss of \$3.7 billion in Federal funds for the Temporary Assistance to Needy Families (TANF) Program and hundreds of millions of dollars in TANF Emergency Contingency Funds available from the American Recovery and Reinvestment Act. Assuming implementation effective July 1, 2010, the Department of Public Social Services (DPSS) indicates this proposal would result in the loss of over \$1.0 billion in CalWORKs benefits for 318,144 children in 165,129 families in Los Angeles County. According to DPSS, if 50 percent of the families terminated from cash assistance applied for and are determined eligible to the County's General Relief Program there would be an increased County cost of \$375.7 million annually. **DPSS estimates a County loss of \$577.3 million for program administration, employment services, CalWORKs Stage 1 Child Care, and other services; \$24.2 million for CalWORKs Mental Health Services; and \$19.0 million for CalWORKs Substance Abuse Services.**

According to DPSS, the elimination of the CalWORKs Program would shift responsibility for providing services to needy families from the State and Federal governments to the County's General Relief Program in order to assist these families avoid homelessness and indigence.

In-Home Supportive Services (IHSS) Program Elimination. The Governor's Budget proposes to eliminate the IHSS Program for a State General Fund savings of \$495.0 million. DPSS indicates that elimination of the IHSS Program would result in the loss of benefits for all 185,000 IHSS receipts in Los Angeles County. **DPSS estimates that combined with \$289.6 million in County savings due to proposed IHSS service reductions, elimination of the IHSS Program would result in an additional County savings of \$43.3 million for a total savings of \$332.9 million.**

Redirection of County Savings. The Governor's Budget proposes to redirect County savings from the CalWORKs, IHSS, and HFP elimination for a State General Fund savings of \$325.0 million. However, details of this proposal were not included in the Governor's Budget. **The CEO will work with the affected departments to determine the impact to the County once more information is available.**

Transitional Housing Placement Program-Plus (THPP-Plus) Elimination. The Governor's Budget proposes to eliminate THPP-Plus for a State General Fund savings of \$36.0 million. **The Department of Children and Family Services indicates that this proposal would result in an estimated County loss of \$2.6 million and the loss of housing, educational and supportive services for 87 former foster youth in Los Angeles County.**

Justice and Public Safety

Justice and Corrections. The Governor's Budget proposes changes to justice and corrections programs for a State General Fund savings of \$280.0 million. The proposal would eliminate non-court required inmate rehabilitation programs, implement banked parole for low-risk and violent offenders, expand crimes where convicted felons will serve time in local jails, and increase the number of parolees each agent will supervise. **The CEO is working with the Sheriff's Department to determine the impact of this proposal to the County.**